

REMARKS

§103 rejections

In the 9 April 2007 Office Action, claims 6, 7 and 9 are rejected under §103 as being unpatentable over U.S. Patent 5,812,988 (hereinafter Sandretto). The Assignee respectfully traverses the §103 rejections of claims 6, 7 and 9 in two ways. First, by noting that the rejections fail under both standards of the APA. Second, by noting that the cited combination of documents fails to establish a *prima facie* case of obviousness in a number of ways, including:

1. teaching away from the theoretical combination proposed by the Examiner,
2. requiring a change in the principle of operation of the cited invention in order to enable replication of claimed functions, and
3. failing to meet any of the criteria for establishing a *prima facie* case of obviousness.

The Assignee also notes that there are still other ways in which all §103 obviousness rejections in the 9 April 2007 Office Action for claims 6, 7 and 9 can be traversed. For example, the cited combination does not make the invention as a whole obvious and is not enabling.

As noted previously, the first way that Sandretto fails to establish a *prima facie* case of obviousness for claims 6, 7 and 9 is that Sandretto fails to make the inventions as a whole obvious by teaching away from all claimed methods. MPEP § 2141.02 states that: "*in determining the difference between the prior art and the claims, the question under 35 U.S.C. 103 is not whether the differences themselves would have been obvious but whether the claimed invention as a whole would have been obvious.*" Examples of Sandretto teaching away from the claimed methods include:

- Sandretto teaches and relies on the use of conventional forecasting methods (Sandretto C9, L60 – C10, L25) which take historical results and project them forward as required to develop a forecast of cash flow for a specified time period. In other words, Sandretto teaches that the future is going to be a continuation of the past. By way of contrast, the claimed invention teaches and relies on the use of a novel method that forecasts the value of each aspect of financial performance as a function of the performance of a plurality of elements of value. In other words, the claimed invention teaches that the future is a function of the performance of a plurality of elements of value.
- Sandretto teaches and relies on the fact that the value of each asset is a function of the cash flow from an asset and the riskiness of that cash flow when compared to a market return (Sandretto C9 L60 – C10 L25). Put another way, Sandretto teaches that each asset is independent and that the value of each asset is determined by its performance

and the correlation of its performance with a market index. In short, Sandretto teaches and relies on the efficient market hypothesis. By way of contrast, the claimed invention teaches and relies on a novel method that quantifies the impact of each element of value as a function of the contribution to an financial performance net of any impact on the other elements of value. In other words, the claimed invention teaches that elements of value may be inter-related and that the impact of each element of value is a function of its performance net of any impact of that performance on other elements of value.

The Assignee notes that there are still other ways in which Sandretto teaches away from the claimed methods.

The second way the 9 April 2007 Office Action fails to establish a *prima facie* case of obviousness for claims 6, 7 and 9 is that the proposed modification would change the principle of operation of the invention disclosed in Sandretto. MPEP 2143.01 provides that when "*the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims prima facie obvious. In re Ratti, 270 F.2d 810, 123 USPQ 349 (CCPA 1959)*". Some of the changes in operating principle required to make Sandretto function are discussed below.

- Sandretto teaches and relies on the fact that the value contribution of each asset in a portfolio is determined by its direct contribution and its performance vis a vis a market index. The Examiner has proposed modifying Sandretto to render obvious an invention that teaches and relies on the fact that the impact of each element of value is defined by its direct contribution to financial performance and its impact on an inter-connected network of other elements of value. The Assignee respectfully submits that this modification would only be possible if the principle of operation of the Sandretto invention were changed to recognize that assets are not independent and that value is a function of how an asset affects other interconnected assets in a portfolio as well as its performance vis a vis a market index. Making this change would require the abandonment of the efficient market principle upon which the Sandretto invention is based. Because a change in the principle of the operation of Sandretto is required to enable the cited modification to replicate the functionality of the claimed invention, the teachings of the document are not sufficient to render the claims *prima facie* obvious.

The Assignee notes that there are still other changes in the principle of operation of the invention described by the cited document that would be required to replicate the claimed invention.

The third way that the cited document fails to establish a *prima facie* case of obviousness for claims 6, 7 and 9 is that there is no evidence of a suggestion, teaching or motivation to modify the teachings of Sandretto along the lines suggested by the Examiner – in fact there is a clear motivation not to make any of the proposed modifications. MPEP 2142 provides that: “*in order to establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation to modify the reference or to combine reference teachings.*

1. The claimed invention teaches a reliance on data aggregated from the systems used to manage company operations. Sandretto teaches that the data estimates required for operation of its method are input directly into the system and that as few as three inputs per asset are required for system operation (Sandretto, C9 L45 – L55). Because the data input to the Sandretto system are estimates that may be developed by the system operator or obtained from a wide variety of forecasting systems, there is no motivation to modify Sandretto to obtain data from any of the systems used to manage firm operations. In fact, there is a clear motivation not to modify Sandretto to rely on data obtained from these systems as they would not be expected to have any information required for completion of the Sandretto method.

Far from establishing a *prima facie* case of obviousness for claims 6, 7 and 9 the document cited in the 9 April 2007 Office Action provides additional evidence that the claimed invention for producing concrete, tangible and useful results is new, novel and non-obvious.

The Assignee also notes that the claim rejections are also moot because the rejected claims have been cancelled and in fact were cancelled long before the 9 April 2007 Office Action.

35 U.S.C. § 101 Rejection of Claims

In the 9 April 2007 Office Action the Examiner has rejected claims 1 - 29 under 35 U.S.C. §101 as being non-statutory subject matter. In particular, the Examiner asserts that the claimed invention is not supported by either a clearly asserted utility or a well established utility. The Assignee traverses these rejections by noting that the claims represent patentable subject matter and are patentable for at least five reasons:

1. because the Examiner has failed to establish a *prima facie* case of non-statutory subject matter for the rejected claims;
2. because the claimed inventions produce results that are concrete, tangible and useful;
3. because the claimed inventions transforms transaction data into a different state or thing;
4. because arguments regarding the alleged non-statutory subject matter fail to comply with the requirements of the Administrative Procedures Act and are therefore moot; and
5. because the subject matter eligibility of the instant application is apparently being reviewed under a different standard than that used for the review of similar patents, an apparent violation of 35 USC 3.

As mentioned above, the first reason claims 1 - 29 are patentable is that the arguments presented by the Examiner fail to establish a *prima facie* case of non-statutory subject matter for the rejected claims. As noted in Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility "*the Examiner bears the initial burden ... of presenting a *prima facie* case of unpatentability.*" *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992). However, the Examiner has not provided any evidence to support the fact that the claim taken as a whole is abstract and lack a specific utility. MPEP 2164.07 states "*the examiner has the initial burden of challenging an asserted utility. Only after the examiner has provided evidence showing that one of ordinary skill in the art would reasonably doubt the asserted utility does the burden shift to the applicant to provide rebuttal evidence sufficient to convince one of ordinary skill in the art of the invention's asserted utility.* *In re Brana*, 51 F.3d 1560, 1566, 34 USPQ2d 1436, 1441 (Fed. Cir. 1995) (*citing In re Bundy*, 642 F.2d 430, 433, 209 USPQ 48, 51 (CCPA 1981)). Given the complete absence of evidence to support these assertions, the Assignee respectfully submits that the Examiner has failed to establish the required *prima facie* cause of non-statutory subject matter for the rejected claims.

The second reason the claims are patentable is that it is clear that - taken as a whole - the claimed inventions are: machines that produce results that are concrete, tangible and useful.

The third reason the claims are patentable is that the claimed inventions represent machines for transforming transaction data into a different state or thing. As noted in the *Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility* "the Supreme Court noted that one example of a statutory "process" is where the process steps provide a transformation or reduction of an article to a different state or thing (Diehr, 450 U.S. at 183, 209 USPQ at 6). In Alappat, the Court held that "data, transformed by a machine" "to produce a smooth waveform display" "constituted a practical application of an abstract idea." State Street, 149 F.3d at 1373. In Arrhythmia, the Court held "the transformation of electrocardiograph signals" "by a machine" "constituted a practical application of an abstract idea." *Id.* Likewise, in State Street, the Court held that "the transformation of data" "by a machine" "into a final share price, constitutes a practical application of a mathematical algorithm." *Id.* Thus, while Diehr involved the transformation of a tangible object - curing synthetic rubber - the Court also regards the transformation of intangible subject matter to similarly be eligible, so long as data or signals represent some real world activity. It is the Assignee's understanding that the PTO views this "data transformation" test as an appropriate way to evaluate subject matter eligibility (see *In re Comiskey*, No. 2006- 1286).

The second and third reasons taken together make it clear that the claimed inventions are: machines that support practical applications with substantial, specific utility and are therefore statutory subject matter.

As stated previously, the fourth reason the claims are allowable is that the unsupported allegations used to support the claim rejections are not in compliance with the requirements of the Administrative Procedures Act and are therefore moot. In *Dickinson v. Zurko*, 119 S. Ct. 1816, 50 USPQ2d 1930 (1999), the Supreme Court held that the appropriate standard of review of U.S.P.T.O. findings of fact are the standards set forth in the Administrative Procedure Act ("APA") at 5 U.S.C. 706 (1994). The APA provides two standards for review – an arbitrary and capricious standard and a substantial evidence standard. The Supreme Court has defined substantial evidence as "substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. . . Mere uncorroborated hearsay or rumor does not constitute substantial evidence. Consolidated, 305 U.S. at 229-30 (citations omitted)". The Assignee respectfully submits that the instant Office Action fails to provide even a scintilla of evidence to support the allegation of non-

statutory subject matter it contains and that as a result it fails to meet the substantial evidence standard. The Assignee respectfully submits that the arguments presented by the Examiner also fail to pass the arbitrary and capricious test. Under the arbitrary and capricious test a reviewing court analyzes only whether a rational connection exists between the agency's fact findings and its ultimate action, (see *Hyundai Elecs. Indus. Co. v. ITC*, 899 F.2d 1204, 1209, 14 USPQ2d 1396, 1400 (Fed. Cir. 1990). The Assignee notes that the rejection of claims 1 - 29 also fails to pass the arbitrary and capricious test because the Examiner has not completed any discernible fact finding that can be rationally or irrationally connected to the rejection contained of these claims.

As noted previously, the fifth reason 1 - 29 are patentable is that the subject matter eligibility of the instant application is apparently being reviewed under a different standard than that used for the review of similar patents - an apparent violation of 35 USC 3. For example, as noted previously, the cited claims all pass the data transformation test which the U.S.P.T.O. has cited as an appropriate way to evaluate subject matter eligibility (*see Supplemental Letter Brief from James R. Toupin re: In re Comiskey, No. 2006- 1286*). Given this endorsement, it is not clear why the Examiner is attempting to use a different method to establish subject matter eligibility in an apparently discriminatory manner.

The Assignee notes again that the claim rejections are also moot because the rejected claims have been cancelled and in fact were cancelled long before the 9 April 2007 Office Action.

35 U.S.C. § 112 Rejection of Claims

In the 9 April 2007 Office Action the Examiner claims 1 - 29 are rejected under 35 U.S.C. §112 first and second paragraphs. In particular, the Examiner feels that the alleged lack of a clearly asserted utility or a well established utility is sufficient to justify a §112 first paragraph rejection. The Assignee will respectfully traverse the §112 first paragraph rejection by referring to the arguments presented in the previous section regarding the §101 rejection that clearly demonstrate that the Examiner has failed to establish a *prima facie* case that could be used to justify the rejection of a single claim for an alleged lack of a clearly asserted utility or a well established utility. The Examiner also states that steps that are allegedly missing from the claims justify the §112 second paragraph rejections. The Assignee will respectfully traverse the §112 second paragraph rejections of each claim in four ways.

1. by noting that the Office Action has failed to establish a *prima facie* case that the claims do not meet the requirements of §112 second paragraph;
2. by noting that the claim rejections based on assertions of alleged indefiniteness are not in compliance with the Administrative Procedures Act and are therefore moot; and
3. by noting that a different standard is being used for the review of the claims in the instant application than that used for the review of other patents, an apparent violation of 35 USC 3.

The first way the Assignee will traverse the 35 U.S.C. §112 second paragraph rejection of claims 1 through 29 will be by noting that the arguments presented by the Examiner fail to establish the *prima facie* case required to sustain a §112 second paragraph rejection. *MPEP 2173.02 states that: definiteness of claim language must be analyzed, not in a vacuum, but in light of:*

- (A) *The content of the particular application disclosure;*
- (B) *The teachings of the prior art; and*
- (C) *The claim interpretation that would be given by one possessing the ordinary level of skill in the pertinent art at the time the invention was made.*

*In reviewing a claim for compliance with 35 U.S.C. 112, second paragraph, the examiner must consider the claim as a whole to determine whether the claim apprises one of ordinary skill in the art of its scope and, therefore, serves the notice function required by 35 U.S.C. 112, second paragraph, by providing clear warning to others as to what constitutes infringement of the patent. See, e.g., Solomon v. Kimberly-Clark Corp., 216 F.3d 1372, 1379, 55 USPQ2d 1279, 1283 (Fed. Cir. 2000). See also In re Larsen, No. 01-1092 (Fed. Cir. May 9, 2001). In the case of claims 1 - 29 the Examiner has failed to establish the *prima facie* case that the Serial No: 10/046,094*

specification does not meet the requirements of §112 second paragraph in five ways for every rejected claim. The five ways are: by failing to interpret the claims in light of the specification, failing to interpret the claims in light of the prior art, by failing to provide any evidence that someone of average skill in the relevant arts would have difficulty interpreting the claims, by failing to establish that the limitation(s) in the claims fail to describe the invention and/or by failing to consider the claim as a whole.

As noted previously, the second way the Assignee will respectfully traverse the §112 second paragraph rejections of claims 1 - 29 is by noting that the assertions regarding the alleged indefiniteness of the claims are not in compliance with the requirements of the Administrative Procedures Act and are therefore moot. In *Dickinson v. Zurko*, 119 S. Ct. 1816, 50 USPQ2d 1930 (1999), the Supreme Court held that the appropriate standard of review of PTO findings are the standards set forth in the Administrative Procedure Act ("APA") at 5 U.S.C. 706 (1994). The APA provides two standards for review – an arbitrary and capricious standard and a substantial evidence standard. The Assignee respectfully submits that discussion in the preceding paragraphs clearly shows that the instant Office Action fails to provide even a scintilla of evidence to support the allegation that the specification does not meet the requirements of §112 second paragraph and that as a result it fails to meet the substantial evidence standard. The Assignee respectfully submits that the 9 April 2007 Office Action also fails to pass the arbitrary and capricious test because the Examiner has not provided any evidence of relevant fact finding that can be connected to the rejections contained in the Office Action. In particular, the Assignee notes that the 9 April 2007 Office Action does not contain any declarations from individuals with the requisite skill in the art of data processing or business methods to support the assertions regarding the claims. A summary of the information provided by the Examiner that documents his lack of the requisite skill in the art has already been provided in the appeal brief for application 09/761,670. The Assignee notes that there are still other ways in which these rejections can be shown to be arbitrary, capricious and discriminatory.

The third way is by noting that the claims of the instant application is apparently being reviewed under a different standard than that used for the review of similar patents - an apparent violation of 35 USC 3.

The Assignee notes again that the claim rejections are also moot because the rejected claims have been cancelled and in fact were cancelled long before the 9 April 2007 Office Action.

Double patenting rejections

In the 9 April 2007 Office Action claims 1, 28 and 29 are provisionally rejected for same invention double patenting because the Examiner asserts that the claims are concerned with the same subject matter of some of the claims in application 2004/0215551 A1. The Assignee traverses this rejection by noting that the Examiner has failed to establish a prima facie case that same invention double patenting exists because the Office Action lacks the infringement analysis required to establish its existence. The Assignee also notes that these rejections fail under both standards of the APA and that the rejections are moot because the cited application (2004/0215551 A1) was expressly abandoned four years ago before the first office action on its merits in favor of another application (available upon request). The Assignee notes again that the claim rejections are also moot because the rejected claims have been cancelled and in fact were cancelled long before the 9 April 2007 Office Action.

In the 9 April 2007 Office Action claims 1, 28 and 29 are rejected for obviousness type double patenting because the Examiner asserts that the claims are concerned with the same subject matter of one of the claims in U.S. Patent 6,393,406. The Assignee traverses this rejection by noting that the Examiner has failed to establish a prima facie case that obviousness type double patenting exists and that the claim rejections fail under both standards of the APA. In particular, the Examiner has failed to establish a prima facie case of obviousness that obviousness type double patenting exists because the Examiner has not compared the inventions disclosed in the two specifications as required to establish obviousness type double patenting.

The Assignee notes again that the claim rejections are also moot because the rejected claims have been cancelled and in fact were cancelled long before the 9 April 2007 Office Action.

Statement under 37 CFR 1.111

37 CFR 1.111 requires that the basis for amendments to the claims be pointed out after consideration of the references cited or the objections made. 37 CFR 1.111 states in part that:

In amending in response to a rejection of claims in an application or patent undergoing reexamination, the applicant or patent owner must clearly point out the patentable novelty which he or she thinks the claims present in view of the state of the art disclosed by the references cited or the objections made. He or she must also show how the amendments avoid such references or objections.

The Assignee notes that this requirement is not relevant to the instant application because, as detailed above, there are no references or objections to avoid. Having said that, the Assignee notes that the primary reasons the prior set of claims were cancelled was that similar claims are already pending in other applications.

Reservation of rights

The Assignee hereby explicitly reserves the right to present the previously modified and/or canceled claims for re-examination in their original format. The cancellation or modification of pending claims to put the instant application in a final form for allowance and issue is not to be construed as a surrender of subject matters covered by the original claims before their cancellation or modification.

Conclusion

The pending claims are of a form and scope for allowance. Prompt notification thereof is respectfully requested.

Respectfully submitted,

/B.J. Bennett/

B.J. Bennett, President Asset Trust, Inc.

Date: August 25, 2007